Australian and New Zealand College of Anaesthetists
INVESTMENT POLICY AND INVESTMENT STRATEGY FOR LONG-TERM FUNDS

1. PURPOSE

The purpose of this policy is to provide the Australian and New Zealand College of Anaesthetists (ANZCA) Investment Committee and the College's independent investment advisors with the framework to manage the College portfolio in accordance with the ANZCA Council's instructions and in accordance with the Investment Committee terms of reference (TOR).

The policy should be read in conjunction with 'The Corporate Treasury Policy' and 'The Investment Committee Terms of Reference' (TOR).

2. INTRODUCTION

The Australian and New Zealand College of Anaesthetists is committed to maintaining the College as a financially sustainable organisation in order to meet its objectives and in accordance with its mission.

That aim is supported through the operations of the College, which works to achieve a break even financial position or surplus each year from its operating activities. Cash surpluses in excess of annual working capital along with donations and bequests have formed the basis of the College's investment portfolio over a period of time. Returns from the investment portfolio are used to support key objectives within the College including provision of research grants, additional working capital and specific initiatives such as investment in the College's training programs, leading edge technology and other strategic projects approved by Council.

The College structure includes the Anaesthesia and Pain Medicine Foundation, which is funded through fundraising activities, allocation of the College's internal funds and investment earnings to support the provision of medical research in anaesthesia and pain medicine. The Foundation funds are recognised as a separate element of the total investment portfolio with a separately considered risk profile.

The College has established an expert Investment Committee to oversee the investment of long-term funds.

Long-term funds are defined as those that are separate from those required for day to day operations of the College, and which can therefore be invested for periods of beyond 12 months, subject to the risk requirements set out in this policy.

Version 7
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3. BODY OF POLICY

3.1 Long-term Funds

The long-term investment funds are categorised into two components being:

- ANZCA General Funds ; and
- The Anaesthesia and Pain Medicine Foundation Funds (Foundation Funds)

The purpose of the ANZCA General Funds is to provide a reserve to meet, as required and approved by Council, capital expenditure programs, projects and additional working capital where it is deemed necessary to meet ANZCA's strategic objectives.

The ANZCA General Funds will be invested recognising that although the funds are a long-term investment they may be drawn down and added to from time to time as authorised by Council, to meet requirements as set out above.

The purpose of the Foundation Funds is to provide a regular income stream to fund the provision of medical research in anaesthesia and pain medicine in addition to the related internal operating resources allocated by the College.

The Foundation Funds will be invested recognising that the corpus of the funds will remain intact or grow in the long-term, and only income generated from their investment will be utilised by the College as set out above.

3.2 Investment risk statement

The College needs to be aware of the key types of risk that it faces which may have differing impacts on the performance of the ANZCA General and Foundation Funds.

1. Funding/liquidity risk. Where the portfolio experiences a shortfall in income that can prevent or restrict the College from meeting its budgeted outgoings and more seriously its core obligations, for example, where the College experiences an over reliance on investment income to meet its operational requirements.

2. Sustained underperformance. This long-term risk arises from a prolonged decrease in the real value of the portfolio either through sustained falls in the market value of the assets or the erosion of real value through underperformance of the asset mix.

This policy includes the investment strategy in section 4 which takes into consideration these risks, and the purpose and requirements of each investment fund.

Version 7
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3.3. Socially responsible/ethical investment restrictions

Any investments that have a known risk of a negative reputation consequence to ANZCA should be avoided. The following exclusions and/or limits are to be placed on investments to be consistent with ANZCA's mission. It is recognised that there may be incidental involvement in the restricted industries through, for example, a banking consortium providing some financial services to companies within the industry groups; such involvement would not be seen as an automatic breach of this policy.

The Council has determined that College funds will not knowingly be used to invest in the following industries:

- Tobacco.
- Weapons manufacture and distribution.
- Gambling.
- Pornography.

Investing in health care industry companies should not be interpreted as an endorsement by ANZCA of the company and/or its products.

Where the investment advisor allocates funds to external fund managers, then these managers will be either a signatory to the UN PRI (United Nations Principles of Responsible Investment) or taking into account social, environmental and corporate governance factors in its decision making process.

If the Investment Committee becomes aware of an investment that breaches the above criteria, the advisors will be instructed to dispose of the investments at the earliest opportunity.

3.4 Return objectives

To protect the real value of its investments, the College expects to achieve returns (measured as income plus capital growth before distributions and costs) that, as a minimum, exceed the CPI growth in any year. It should be recognised that higher returns indicate higher exposure to risk. As such, the overarching policy position of ANZCA is that the College is an investor not a speculator.

Specific return objectives are accepted as being the agreed performance benchmark index relating to each asset class which forms part of the overall portfolio. These benchmarks are reviewed annually by the investment committee in conjunction with the external investment advisers.

3.5 Approved asset classes

Version 7
Last updated: August 2014
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Due to the nature of the College's business, the acceptance of the investment risk statement outlined in 3.2 above and the desire to protect the corpus of the portfolio, it is not considered appropriate for the College to enter into any investments that would be considered overly aggressive.

The asset classes that the funds can be invested in and the appropriate benchmark index against which each of the asset class's performance is to be measured are outlined in the section 4 of this policy.

3.6 Asset Allocation

The asset allocation for the College portfolio has been derived from the investment risk statement and return objectives set out within this policy document.

Asset allocations should reflect the elements as defined in the Risk Statement section above. The asset allocation is to be recommended by the investment advisor to the investment committee based upon that statement.

3.7. Funds Management

The College's policy is to invest in liquid and highly transparent managed funds, as selected by the investment committee, because these funds offer diversification and access to a broad range of assets or markets.

By investing in managed funds the College recognises the potential decrease in control over investing in particular types of financial instruments. Therefore as outlined in section 4 of this policy the College places a strong emphasis on the criteria for selecting the managed funds and control around minimum and maximum allocation of each asset class to a level acceptable to the College's risk tolerance.

In order to acquire access to specialist skills and resources the College should employ external investment advisors and managers. Such investment services should be obtained from a suitably qualified investment advisor who attests to be free of bias arising out of commercial incentives or conflicts of interest.

The selection of the investment advisor must be performed by the Investment Committee and approved by Council.

The College will ensure that the terms of the investment advisor's appointment and the methods by which their value will be assessed are properly agreed and documented, and subject to an annual review. The monitoring of such arrangements rests with the Investment Committee.

The investment advisors must adhere to this policy and execute the investment decisions made by the Investment Committee.

Version 7
Last updated: August 2014
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The investment portfolios are managed under the auspices of the Investment Committee and are based upon the recommendations of the approved investment advisors. The investment committee is a committee of Council under Regulation 2.5 and the membership is as per regulation 2.17.

Investments must only be held in the name of the Australian and New Zealand College of Anaesthetists (ANZCA) or Anaesthesia and Pain Medicine Foundation, as appropriate.

All transfers of principal and/or earnings must be made directly to a nominated account held in the name of the Australian and New Zealand College of Anaesthetists (ANZCA) or Anaesthesia and Pain Medicine Foundation, as appropriate. Investment transactions should be managed directly with the institution holding the investment. A clear audit trail of movement of funds is mandatory.

A register of investments must be maintained and updated each time an investment is purchased or redeemed.

A reconciliation of all investments and earnings must be completed monthly to ensure all investments and earnings are recorded.

Auditors (external, internal or both) are to verify compliance with financial policies and authorised investments at least annually.

No part of the portfolio can be invested with any councillor, Fellow, employee, associates or associated entities.

Potential conflicts of interest must be declared and managed in accordance with the ANZCA Conflict of Interest policy.

The authority of the Investment Committee to make changes to the overall strategic mix of the portfolio is limited to movement within pre-approved control bands for each asset class as set out in section 4 of this policy. Any changes which fall outside these control bands require prior approval by Council. The control bands will be determined annually in conjunction with the external investment advisor and approved by Council.

The accumulation of cash in excess of projected annual working capital requirements should be invested within the ANZCA General investment corpus in accordance with this policy upon approval by the Investment Committee and Council.

The Council reserves its right to approve certain work to be funded from the College's investments. The Council should not approve expenditure from proceeds from sale of investments if this expenditure has an impact on the ability of the College to meet current liabilities including employee entitlements. For guidance the Council should refer to the 'ANZCA Corporate Treasury Policy', recommendations from the Finance, Audit and Risk Committee' and information provided within budgets, financial reports to review levels of cash on hand, investments and liabilities when approving expenditure from proceeds from sale of investments.

4. INVESTMENT STRATEGY

This policy empowers the Investment Committee to determine appropriate investment strategy within the parameters approved by the Council. The elements of the strategy include risk profile identification, asset allocation, control bands and benchmarks.

The primary objective of the overall risk profile is capital growth accepting a moderate level of volatility in the value of investments and expecting a moderate level of income. This overall risk profile is defined as ***'moderate growth'*** for both ANZCA General Funds and Foundation Funds.

Table A in section 4.1 illustrate how these profiles compares to the range of risk profiles. These profiles are reviewed annually by the Investment Committee.

4.1 Asset Allocation

The configuration of the proposed asset allocation is driven by the risk profile. As set out by the investment advisor there are eight major asset classes across which each portfolio is normally spread and as can be seen in **Table A**, the more aggressive the profile, the higher proportion of growth assets, particularly equities, are included in the mix.

In terms of returns, the table shows that:

- with a moderate growth profile the expected return is 7.1% (net of fees) with a one in six year chance of a negative return.

Risk Profile	Ultra Conservative	Conservative	Moderate growth	High Growth
Defensive Assets	80%	57%	33%	25%
Growth Assets	20%	43%	67%	75%
Total	**100%**	**100%**	**100%**	**100%**
Asset Allocation				
Cash	15%	12%	5%	5%
Aust. Fixed Interest	60%	35%	20%	10%
Global Fixed Interest	5%	10%	8%	10%

Version 7
Last updated: August 2014
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Risk Profile	Ultra Conservative	Conservative	Moderate growth	High Growth
Australian Listed Property	0%	0%	0%	0%
Global Listed Property	0%	0%	0%	0%
Australian Shares	15%	26%	42%	35%
International Shares – Developed Markets	5%	12%	20%	28%
International Shares – Emerging Markets	0%	5%	5%	12%
Total	**100%**	**100%**	**100%**	**100%**
Expected Returns (% pa)	5.3%	6.2%	7.1%	7.4%
Portfolio Volatility (%)	3.0%	5.5%	8.4%	9.2%
Chance of a negative Return	3.9%	12.6%	19.7%	21%
	(1 in 26 years)	(1 in 8 years)	(1 in 6 years)	(1 in 5 years)

Table A-Risk Profile and Asset Allocation ***Source JBWere***

4.2 Control Bands

Whilst a correctly administered risk profiling process and a consequent investment strategy determine a model asset mix as outlined in **Table A**, in reality at various times the actual allocation to particular asset classes will vary. This can arise through a number of circumstances, such as

- holding of cash for short periods of time as funds are moved between classes;
- the adoption of a tactical position to take advantage of favourable market conditions;
- relative under or over performance in asset classes leading to imbalance.

In order to control the portfolio's exposure, control bands are put in place to limit the minimum and maximum allocation of each asset class to a level acceptable to the College. Should the investment committee and/or the financial advisors recommend significant changes to the asset allocation that exceed the approved control bands, Council must be consulted prior to such a change occurring.

Table B outlines the control bands for the recommended moderate growth profile.

Version 7
Last updated: August 2014
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Asset Class	Target Asset Allocation (moderate growth)	Ranges	
		Minimum	Maximum
Cash	5%	0%	20%
Fixed Interest	28%	10%	60%
Property	0%	0%	10%
Australian Shares	42%	20%	70%
International Shares	25%	10%	40%
Total	**100%**		

Table B – Moderate Growth Profile

4.3. Benchmarks

A set of benchmarks indices is used to measure performance of each asset class as detailed below in **Table D**.

Asset Class	Performance Benchmark Index
Cash	UBS Bank Bill Index
Fixed Interest	UBS Composite All Maturities
Australian Listed Property	S&P/ASX 200 Property Trust Accumulation
International Listed Property	UBS Global Property Investors (hedged)
Australian Equities	S&P ASX All Ords Accumulation
Australian Equities – large capitalization	S&P ASX 200 Accumulation
Australian Equities – small capitalization	S&P/ASX Small Ordinaries Accumulation
International Equities – unhedged	MSCI World ex Aust (unhedged)
International Equities – hedged	MSCI World ex Aust (hedged)
International Equities – small capitalization	MSCI Small Cap (unhedged)
International Equities – Asia	MSCI Far East ex Japan (unhedged)
Alternative Assets	HFRI Fund of Fund Composite Index

Version 7
Last updated: August 2014
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Asset Class	Performance Benchmark Index
International Equities-Emerging Markets	MSCI Emerging Markets (unhedged)

Table D-Benchmarks ***Source JBWere***

5. CHANGE CONTROL REGISTER

Version	Date	Author	Reviewed By	Approved By	Changes
1	Apr 2009	Director, FB&A	Investment Committee	Council	Creation
2	Aug 2010	Director, FB&A	Investment Committee	Council	Annual Update – transferred benchmarks to Strategy document. Updated Foundation title
3	June 2011	EGM Corporate Resources	Investment Committee	Council	Annual Review – minor updates to titles and frequency of meetings
4	Mar 2012	EGM Corporate Resources	Investment Committee	Council	Annual review – take account of the development of the Terms of Reference
5	June 2012	EGM Corporate Resources	Investment Committee	Council	Changed reference to HCI as requested by Council
6	July 2013	GM, Finance	Investment Committee	Council	Comprehensive review of all policy statements including investment risk

Version 7
Last updated: August 2014
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					statement and reference to UN PRI
7	August 2014	GM, Finance	Investment Committee	Council	Comprehensive review that includes amalgamation of investment policy and strategy documents, exclusion from this policy short-term funds, review risk profiles and control bands.

Date of Next Review	August 2015

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